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## Sub-Saharan Africa: Outlook for Foreign Investment

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A Research Paper

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# **Sub-Saharan Africa: Outlook for Foreign Investment**

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**A Research Paper**

This paper was prepared by [redacted]  
Office of African and Latin American Analysis. It  
was coordinated with the Directorate of  
Operations. [redacted]

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Comments and queries are welcome and may be  
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## Sub-Saharan Africa: Outlook for Foreign Investment

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### Summary

*Information available  
as of 22 March 1988  
was used in this report.*

The growing trend toward privatization in many Sub-Saharan countries—largely a product of pressure for economic reform exerted by multilateral financial institutions and Western bilateral donors and lenders—has created potential new opportunities for foreign private investment. Historically, the low incomes of Sub-Saharan countries have limited their ability to generate savings to finance sufficient investment and promote economic growth. As a result, these countries have been forced to rely heavily on external financing, particularly from the governments of industrial countries and from multilateral financial institutions such as the World Bank. These advocates of economic reform stress the need for a wider role for private capital inflows—particularly by way of foreign investment—to ease Sub-Saharan Africa's balance-of-payments pressures and to help finance economic development in the region.

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There are substantial obstacles, however, to the region's efforts to compete with other developing and developed countries for foreign investment. The most serious of these are the political risks present in many countries, with unstable governments vulnerable to tribal rivalries, insurgencies, military coups, or civil war. In addition, the region suffers from a relative lack of educational skills, poorly trained manpower, inadequate transportation, and poor communications. Domestic markets are usually small, with low purchasing power. Manufactured products for export tend to be noncompetitive internationally because of overvalued foreign exchange rates and high production costs. Foreign investors in most Sub-Saharan African countries also face a discouraging maze of bureaucratic redtape and administrative inefficiency that thrives on corruption. Foreign exchange shortages often impede the repatriation of dividends and profits and hamper the importation of material needed for production.

Nevertheless, we believe opportunities for investment—although limited and uneven—will expand for the region over the longer term. Prospects for increased agricultural processing are fairly good in most countries. A few—notably Ivory Coast, Kenya, and Mauritius—have demonstrated their capability in export manufacturing. In addition, Sub-Saharan Africa, as a vast repository of desirable minerals, offers investment opportunities in mine rehabilitation and new mining ventures if mineral markets recover over the longer term. We believe, however, that the realization of these investment opportunities will depend critically on a substantial and sustained policy reform effort to make the region more attractive to foreign investors. Without successful reform, the flow of foreign investment probably will be limited.

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Although British and French business interests are well entrenched in former Sub-Saharan anglophone and francophone colonies, we believe there is room for expanded US investment in the region, to the potential benefit of US interests there. Opportunities exist particularly in agribusiness and petroleum exploration and extraction, activities in which the United States has demonstrated strength. Such investment may permit establishment of a US business presence in key sectors of Sub-Saharan economies. Washington may also gain from its association with African economic adjustment programs designed in part to improve the investment climate of the region. [REDACTED]

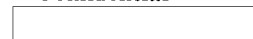
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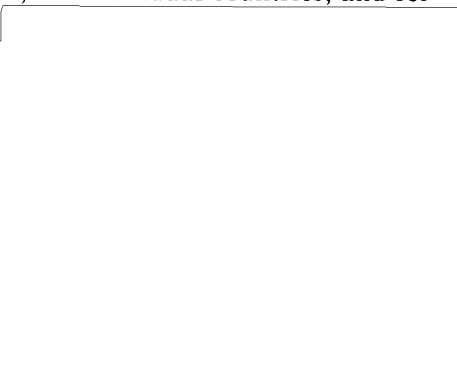
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**Scope Note**

This paper is  appraising Sub-Saharan Africa's economic performance and problems, its efforts to implement reform, and the implications of these developments for the region and for the United States. The paper assesses the climate and prospects for foreign investment in Sub-Saharan Africa—for the region, for individual countries, and for different sectors of economic activity. 

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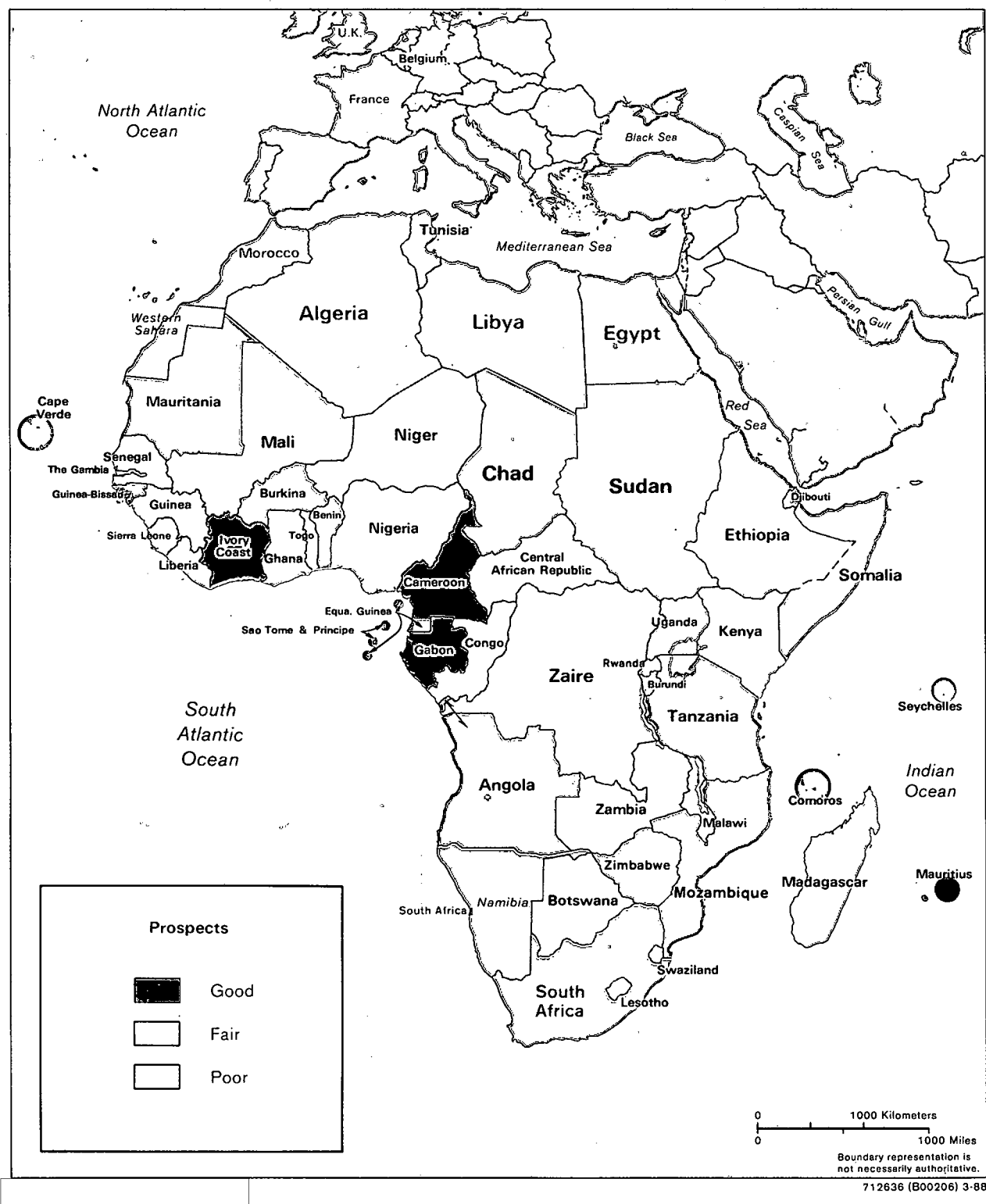
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**Figure 1**  
Investment Prospects in Sub-Saharan Africa



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## Sub-Saharan Africa: Outlook for Foreign Investment

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### Introduction

Sub-Saharan African countries historically have depended heavily on foreign capital inflows to support their economies.<sup>1</sup> Low income levels in these countries have limited domestic saving as a means of financing investment, necessitating additional resources from abroad. For most impoverished black African countries, these foreign resources have come principally as economic assistance in the form of bilateral and multilateral loans and grants. Since 1980, foreign lenders and donors—including the International Monetary Fund and the World Bank—have promoted economic reforms in the region that espouse divestment of government enterprises and a growing role for the private sector in economic activity. In turn, this increased emphasis on the private sector has raised interest in the potential for foreign entrepreneurs and businesses both to acquire existing government enterprises in African countries and to make new investments in a more receptive policy environment.

Senegal, while British-affiliated enterprises are prominent in anglophone countries such as Ghana, Kenya, Nigeria, and Zambia. United States investment interests are more widely dispersed in countries such as Angola, Ivory Coast, Kenya, Nigeria, and Zaire. South Africa has wide-ranging investment interests in neighboring Botswana, Lesotho, and Swaziland.

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### Uses of Foreign Investment

Key categories of foreign investment in Sub-Saharan Africa traditionally have included agribusiness and various stages of processing agricultural production, banking, mining, petroleum exploration and extraction, and transportation. As a matter of policy, most African governments require that foreign investment have African participation, usually a majority share, with the local co-owners often including the government itself. This pattern has produced a wide range of foreign investments in the region. For example:

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### The Foreign Investment Pattern

The sources of foreign investment in Sub-Saharan Africa to a large extent reflect the continent's colonial heritage. Many current foreign investment enterprises were established during the colonial period and have adapted to changing conditions since independence. For example, Belgium's Banque Belgo-Zairoise, in one corporate form or another, has held an important banking interest in Zaire for over 70 years, while Brooke Bond, the United Kingdom multinational, began tea trading in Kenya in 1922.

Given their preeminent colonial role in Africa, France and the United Kingdom have maintained the most extensive foreign investment presence, with France dominating the foreign investment in francophone countries such as Cameroon, Gabon, Ivory Coast, and

- In 1987, the interests of the United Kingdom conglomerate Lonrho, probably the most diverse foreign investor in Africa, included 45 percent of Ashanti Gold Fields (Ghana); 40 percent of John Holt (Nigeria), a manufacturing and agribusiness concern; plus agricultural interests in Benin, Malawi, Swaziland, Tanzania, Zambia, and Zimbabwe, among others, according to press reporting.
- Banque Nationale de Paris, France's biggest bank, has the largest foreign banking presence in Africa, with interests in Burundi, Cameroon, Congo, Djibouti, Mauritius, Rwanda, Zaire, and other countries.
- In petroleum production, US firms have significant investment in Angola, Ivory Coast, and Nigeria, while French state-owned petroleum interests are active in Angola, Cameroon, Congo, Gabon, and Nigeria.

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<sup>1</sup> We define Sub-Saharan Africa to include all countries on the continent (except Algeria, Egypt, Libya, Morocco, South Africa, and Tunisia) plus Cape Verde, Comoros, Madagascar, Mauritius, Sao Tome and Principe, and Seychelles.

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### **Sub-Saharan Africa: The British and French Connections**

*Although British influence in Sub-Saharan Africa dates back to 16th century trade with West Africa, the rapid expansion and consolidation of British influence in the region occurred in the late 19th century during the European "scramble for Africa." By the end of World War I, roughly one-third of the region's present 45 countries was under British control. Although former British colonies achieved independence during the early and mid-1960s, most still retain at least parts of inherited trade patterns and legal systems that reflect the British colonial influence and give present-day British investors an edge.*

*France's links to Africa can be traced to trade with Senegal in the 17th century, but its considerable influence in Sub-Saharan Africa stems primarily from its competition with Britain and other European powers during the late 19th century. Unlike the British, whose colonial holdings were distributed throughout the continent, French colonial influence was largely concentrated in West and Central Africa. The French colonies became independent in 1960.*

*France maintains extensive commercial and political interests in its former Sub-Saharan colonies, particularly in West and Central Africa:*

- *French interests own all or part of more than three-fourths of all commercial firms in francophone Africa.*
- *France has military bases in eight francophone countries that protect its commercial interests as well as pro-French African governments.*
- *France underwrites the Franc Zone, a monetary union in which the currencies of 13 francophone Sub-Saharan countries and Equatorial Guinea are linked to each other and the French franc.*
- *The stable currency relationship of the currency union facilitates trade and investment flows between its members, although international trade and financial reporting indicates that these flows are predominantly between France and individual African Franc Zone member states.*
- *French personnel occupy key government positions in countries such as Gabon, Ivory Coast, and Senegal where they favor French interests, in our judgment.*

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### **The Investment Climate**

#### **Political Instability**

In our judgment, the chronic political instability that has characterized most Sub-Saharan African countries since independence comprises the most serious impediment to increased foreign investment. Insurgencies and civil war as well as rapid and often violent changes of government have contributed to a poor investment climate. Extensive damage to Uganda's communications and other infrastructure, for example, has substantially worsened Kampala's investment prospects in the medium term, according to US Embassy reporting. Uganda also continues to suffer

from a shortage of professional and business expertise—in part a legacy of two decades of misrule by Presidents Amin and Obote, who killed or expelled many of Uganda's most skilled and educated citizens. Sudan's potential as the breadbasket of Africa funded by large-scale foreign investment remains unfulfilled largely because of a long-running civil war.

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**Bureaucratic Obstacles**

Although most African governments have actively sought out foreign investment, the maze of bureaucratic redtape and the inefficiency that plague most countries have hampered potential investors. Even in relatively well-run Cameroon, for example, one foreign investor with a \$30 million project was still waiting last August for a work permit for which he had applied in April, according to open source reporting.

Although it is difficult to measure its impact with precision, we believe the corruption that thrives in such bureaucratic settings dramatically increases the cost of doing business and reduces the incentive for future investment.

with-  
out paying bribes, businessmen often are unable to disentangle government regulations, gain needed work permits, and obtain import licenses. In our judgment, the absence of conflict-of-interest laws in Kenya allows influential bureaucrats or politicians to block investment ventures inimical to their financial interests and to promote favored enterprises. In turn, this leverage enables local investors to buy into foreign investment projects on privileged terms to the potential disadvantage of the foreign investor.

Inconsistent government policy further adds to the uncertainty of doing business, even in countries that ostensibly favor private-sector activity. In Ghana, for example, the Rawlings government supports privatization under its economic reform program, according to IMF and press reporting, but maintains the right to control employment levels in enterprises—a reflection of its basic socialist orientation. The resulting inability of businesses to control labor costs has prompted at least one foreign investor to reject an offer to take over Ghana's state-run steel mill, according to a press report.

**African Official Positions on Foreign Investment**

*African government positions on foreign investment range from enthusiastic acceptance to strong opposition, and are volatile and often subject to dramatic shifts with abrupt changes in governments. In general, Embassy and press reporting indicate that the francophone Sub-Saharan governments are favorably disposed toward foreign investment. In our judgment, this is because of the French Government's continuing political leverage in these countries and Paris's strong support for French business interests there. In Ivory Coast, for example, President Houphouet-Boigny, after 28 years of rule, remains a strong advocate of foreign—particularly French—investment. Indeed, some African leaders contend that the country's openness to foreign investment has come at the expense of Ivorian influence in economic affairs. Presidents Biya of Cameroon, Bongo of Gabon, and Diouf of Senegal also publicly endorse foreign investment, and the Governments of Madagascar and Mauritius support it as part of the development strategy they have pursued for several years with IMF- and World Bank-supported economic programs.*

*Outside the francophone group, the Governments of Botswana, Kenya, Lesotho, and Swaziland also welcome foreign investment as an impetus to development. Even the Marxist countries are pragmatically seeking foreign investment. Angola has long permitted foreign investment in its petroleum industry and in recent months has sought investment in other economic sectors. Ethiopia and Mozambique also have provided for foreign investment in their economies. In Zimbabwe, left-leaning Prime Minister Mugabe regards foreign investment as exploitation, a financial drain on the economy, and a threat to the country's sovereignty, according to Embassy reporting.*

~~Confidential~~**Unfavorable Market Conditions**

Unfavorable market conditions for both domestic and export production comprise yet another major disincentive to foreign investment in Sub-Saharan Africa. The region's small internal marketing base and low purchasing power make it generally unattractive for new investment in production for domestic markets,

industrial production in Sub-Saharan Africa consists largely of a limited range of basic manufactured products such as food, beverages, tobacco, textiles, and apparel. These import-substituting industries, nurtured as a matter of government policy, are dependent on tariff protection and on imported materials, usually bought at overvalued exchange rates. Although most of these industries are competitive within a limited region where similar production conditions and costs prevail, they are not competitive in wider export markets and, as a result, offer limited scope for new foreign investment at present.

**Foreign Exchange Problems**

The foreign exchange controls imposed by most Sub-Saharan countries also discourage foreign investment. Although these controls are designed to allocate scarce foreign exchange, the expanded bureaucracy required to administer the system contributes to inefficiency. They introduce additional redtape in dealing with government, restrict outward remittances of funds, and produce uncertainty in the importation of needed materials. For example:

- In Nigeria, government foreign exchange restrictions prevented a brewery with foreign investment, which was attempting to exploit export markets, from importing sufficient grain; as a result, the enterprise faced closure in 1986, according to the press report.
- Chronic foreign exchange shortages in Tanzania have prevented its five fuel distributors, all with various levels of foreign ownership, from repatriating dividends for the past 10 years, according to diplomatic reporting.
- In Zambia, businessmen bidding for foreign exchange in the government auction before its suspension last year, had to meet a long list of requirements that included a 40-percent deposit at no

interest; original invoices from at least three different suppliers; certificates supporting payment of past import duty and sales taxes; an income tax clearance certificate; and proof of utilization of foreign exchange within 120 days after the previous auction.

Even in the 14 Sub-Saharan member countries of the Franc Zone, where curbs on foreign exchange transactions are minimal, investors sometimes experience foreign exchange problems at the hands of individual governments. One French-affiliated bank in Cameroon, for example, has reported undue delay in repatriating profits, allegedly because local officials opposed the profit-taking, according to a press report.

The tendency of Sub-Saharan African currencies to depreciate relative to those of developed countries introduces additional uncertainty into business projections. Growth in sales and profits in local Sub-Saharan currencies may translate into losses in terms of hard currency if the rate of depreciation is greater than the rate of growth.

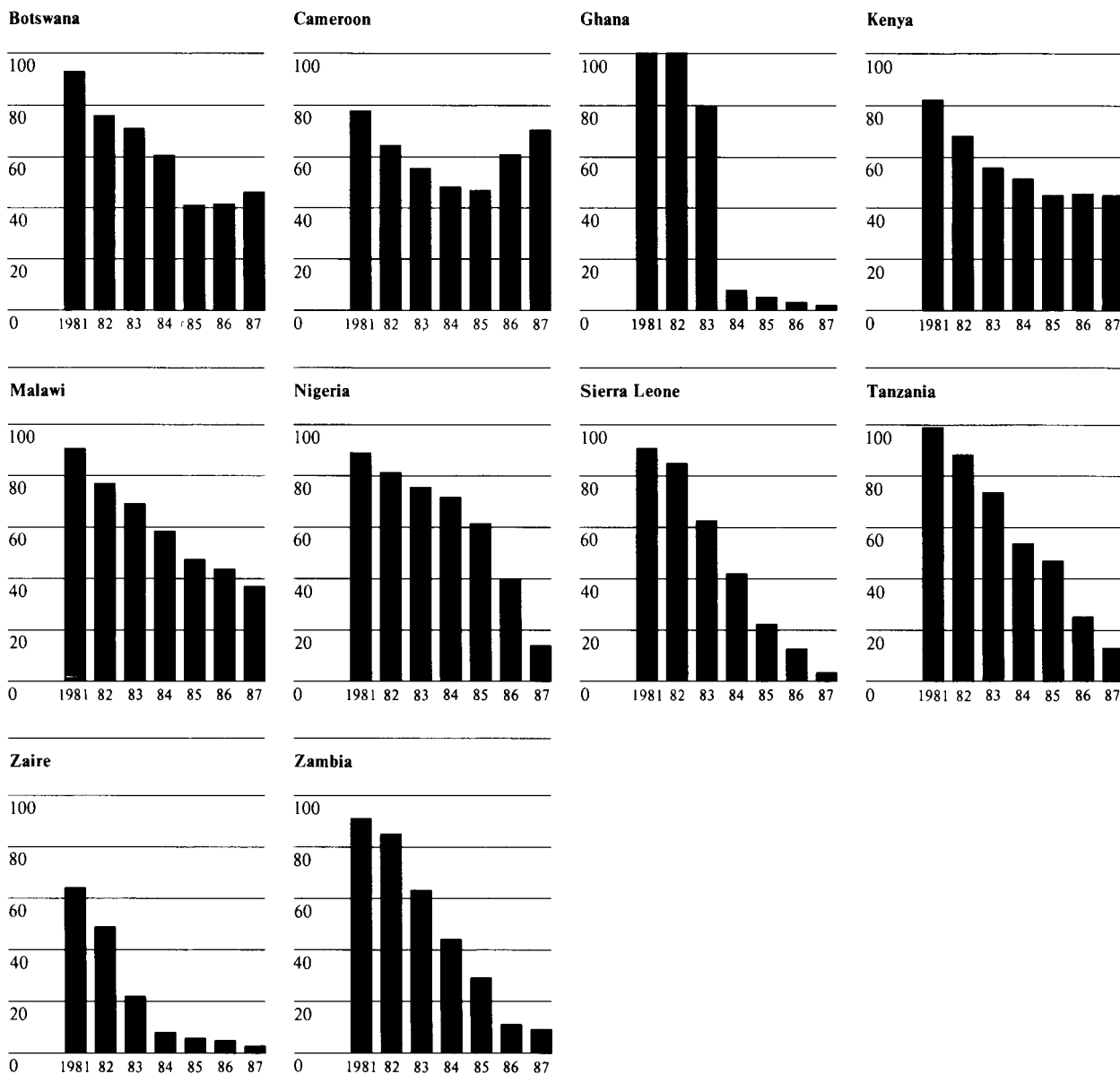
**Problems of Infrastructure and Skills**

Shortages of skilled labor and underdeveloped infrastructures also stymie foreign investment in Sub-Saharan Africa. The region lags the rest of the developing world in the education and training of workers. For example, 41 percent of primary-school-age children are enrolled in Sub-Saharan schools, compared with 78 percent for all developing economies. At the secondary level the respective ratios are 21 percent and 38 percent; and for higher education, 2 percent and 7 percent. Sub-Saharan Africa also compares unfavorably with other developing areas in productivity-related measures such as the availability of medical care and food. In 1981, Sub-Saharan Africa had 27,760 persons per physician, compared with 5,560 for all developing countries combined. In 1983 the region's calorie supply per capita was 82 percent of the Third World average and only 68 percent of that of upper-middle-income LDCs.

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**Figure 2**  
**Sub-Saharan Africa: Currency Devaluations,**  
**Selected Countries<sup>a</sup>**

*Index: 1980 = 100*



<sup>a</sup> Indexes of period average US dollar value of domestic currency.

Source: International Monetary Fund.

In addition, transportation and communications networks throughout the region remain relatively undeveloped outside urban centers, restricting the development of domestic and export markets. Existing infrastructure in most countries is in a state of disrepair, in many cases, because financially pressed governments have neglected maintenance or because of damage inflicted by insurgents. [ ]

#### Other Obstacles

Although investment incentives have the potential to make Sub-Saharan countries more attractive to foreign investors, we believe tax revenue constraints in many cases dampen the potential gains. [ ]

[ ] Sub-Saharan governments are too reliant on taxes on income and profits for revenue to grant generous tax concessions to businesses in the face of widespread budget deficits. For example, Ghana had in 1987 a base 45-percent corporate income tax rate even for priority investment areas such as agriculture, construction, manufacturing, and tourism. Accra's capital gains tax rate in 1987 was about 55 percent, and its dividend tax rate varied between 35 percent and 55 percent. Similarly, despite Lagos's announced policy of inviting foreign investment, Nigeria's corporate tax rate remains at 40 percent. [ ]

The scarcity of foreign exchange also has diluted the impact of investment incentives, in our view. Although protected by investment guarantees, foreign investors may be unable to transfer profits because the authorities do not have sufficient foreign exchange. In addition, businesses in many Sub-Saharan countries are required to sell their foreign exchange earnings to the banking authorities and to obtain foreign exchange through auctions or other government-controlled mechanisms. Under these arrangements the businesses become net contributors to the pool of foreign exchange and are only free at best to retain a percentage of their foreign exchange earnings. In Ghana, for example, mining companies in 1986 were allowed to keep a negotiable share of foreign earnings from mineral sales, ranging between 25 and about 45 percent. [ ]

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#### Foreign Investment Guarantees

*Several industrial countries—including the United States, Australia, Canada, Denmark, France, West Germany, Japan, the Netherlands, Sweden, Switzerland, and the United Kingdom—offer guarantees for private investment in other countries. The United States'—dating from 1948—is the oldest; Japan's, the most extensive.* [ ]

*The guarantees—which usually apply only to developing areas—typically insure the investor against political risks including:*

- *Future losses resulting from imposition by host-country governments of exchange controls that prevent, for example, the remittance of earnings, royalties, and the proceeds of disinvestment.*
- *Expropriation of investor property.*
- *Losses due to war.* [ ]

*To complement the investment-guarantee schemes of individual countries, the World Bank has organized the Multilateral Investment Guarantee Agency (MIGA), an autonomous institution open to membership by Bank members and Switzerland. Finalized in 1987, the MIGA will insure new medium- and long-term investment in developing countries against risks similar to these covered by existing schemes.* [ ]

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#### Foreign Investment Outlook

In our view, increased flows of foreign investment to Sub-Saharan Africa will require a drastic improvement in the investment climate—in large part a result of Sub-Saharan government policies rather than external factors. A key factor will be widespread economic reforms, without which we doubt much foreign investment will be forthcoming. We see little evidence

so far, however, of successful reform efforts to spur African economic recovery, create conditions for sustained economic growth, and render the region more attractive to foreign investment. In general, governments in the region have adopted administrative reforms such as exchange rate adjustments and the easing of trade restrictions, but they continue to largely sidestep the fundamental institutional changes required to reduce corruption, increase bureaucratic efficiency, and promote market-oriented economies.

In addition to domestic factors, we believe the prospects for foreign investment also will depend on the future economic performance of the foreign markets that absorb African exports. Foreign markets—influenced by economic growth in industrial countries—are likely to remain weak, at least through 1989, according to IMF forecasts of slowing growth in industrial nations for the next two years. Although we expect Sub-Saharan Africa to benefit as these markets recover over the longer term, the initial increase in exports from the region probably will be generated from currently underutilized productive capacity. As such, the growing export market will offer only limited scope for new foreign investment in the medium term.

#### The Country Outlook

In our judgment, Africa as a whole probably will remain at a disadvantage for the foreseeable future compared with more dynamic competitors from the rest of the Third World, but the investment climate and opportunities in Africa will continue to vary considerably. We believe investment prospects are likely to be better than average in Cameroon, Gabon, Ivory Coast, and Mauritius, all of which have implemented substantial economic reform and have a demonstrated commitment to free market principles. Cameroon, for example, has the potential to expand the processing of its agricultural products while Gabon is well poised to exploit its substantial resources of oil, fishing, mining, and timber. Ivory Coast and Mauritius have good prospects for increasing manufactured exports on the basis of raw material supplies, infrastructure, and labor force.

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#### Sub-Saharan African Investment Codes

*Both multilateral institutions and bilateral official donors have encouraged Sub-Saharan countries to provide foreign investment incentives as a part of their economic development programs. The record of foreign investment expropriations in Sub-Saharan African countries has made provision of an investment code—offering a legal framework and protection for foreign investment—a key element of these incentives. Recent African investment codes, therefore, usually:*

- *Include safeguards against confiscation or expropriation without compensation.*
- *Exempt designated enterprises from customs duties, export taxes, and taxes on profits provided certain foreign investment criteria are met.*
- *Provide preferential treatment for investment in certain economic sectors.*
- *Permit the transfer of profits and the repatriation of capital.*

*The Mauritian investment code, in our view, illustrates the benefit of such provisions. Together with its skilled and trainable labor force and fairly good infrastructure, Mauritius's code has been effective in attracting foreign investors to businesses such as tourism and textile and clothing manufacturing, according to Embassy reporting. In contrast, Sierra Leone's outdated investment code, based on a 60-year-old British law accompanied by an inert bureaucracy and a dearth of skilled labor, provides little incentive to foreign investment. Reporting from US Embassies in Africa indicates that most countries are drawing up or are revising investment incentives as part of the economic adjustment programs they have undertaken. Madagascar and Somalia, for example, recently have drawn up new investment codes, the Central African Republic expects to complete a new code in early 1988, and Ugandan President Museveni recently concluded that his country needs a new code.*



At the other extreme is a large group of countries with poor foreign investment prospects based on a variety of factors. Among them, Angola and Mozambique will continue to experience serious political instability from major insurgencies that have greatly impaired economic activity, with no solution in sight. Uganda will need several years to recover from some two decades of misrule under Presidents Amin and Obote and the devastating effects of civil war. Some countries, such as Cape Verde and Comoros, probably will continue to stagnate with few resources and marginal infrastructure. Prospects for foreign investment in Sudan and Uganda are likely to remain poor as a result of serious political instability and economic mismanagement. [ ]

We judge that many Sub-Saharan countries fall between the two extremes, with positive attributes tempered by problems that, on balance, give them fair foreign investment prospects. For example:

- Botswana has large and mostly unexploited reserves of copper-nickel, potash, and sodium sulfate, in addition to well-established cattle processing and diamond mining industries; the country is hampered, however, by lack of water, high energy costs, an undeveloped transport system, and high economic dependence on South Africa.
- Zambia is self-sufficient in hydroelectric energy and has an extensive manufacturing sector, which offers the potential for growth as part of a long-term strategy to reduce the country's dependence on copper. The country's recent retreat from economic reform and its move to expand the copper industry rather than diversifying the economy have clouded its investment outlook. [ ]

#### The Sectoral Outlook

For the Sub-Saharan region as a whole, we see mixed prospects for foreign investment in various types of economic activity over the longer term. We believe Sub-Saharan Africa's economic recovery programs, with their emphasis on a resurgence of agriculture and the development of export industries, offer scope for investment in the expansion of export-oriented agribusiness, including higher levels of food and raw materials processing. The manufacture of finished

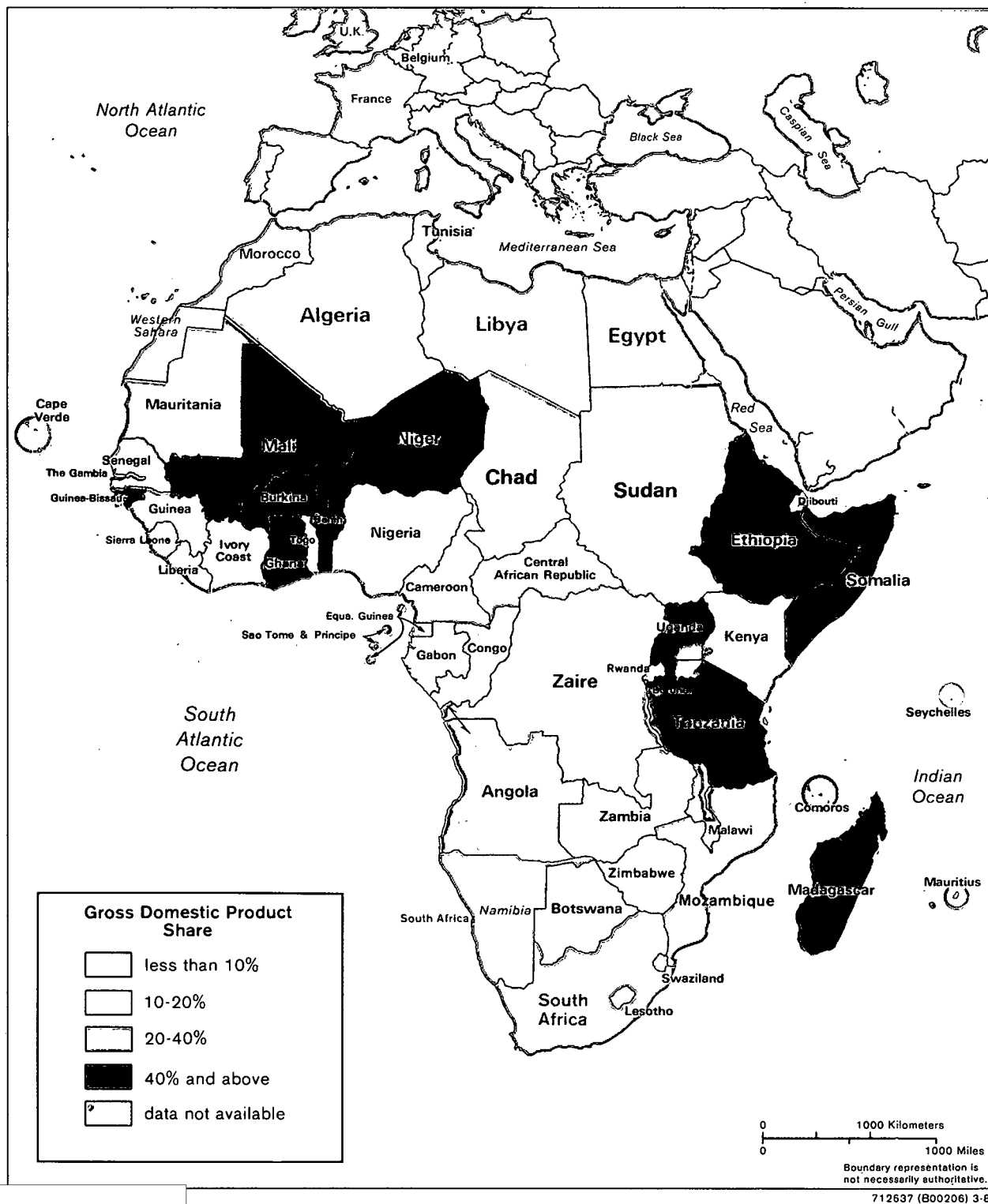
goods for regional or international export probably offers similar opportunities in countries such as Ivory Coast, Kenya, and Mauritius, which already have demonstrated an export manufacturing capability. [ ]

Development of the region's transportation and distribution networks, in our view, also offers foreign investment opportunities. Although these sectors have languished as a result of relatively high costs and low levels of overall economic activity, we believe their investment prospects will improve if individual countries—probably including Cameroon, Gabon, and Kenya—achieve economic recovery and sustained growth over the longer term. [ ]

In our view, the banking sector in Sub-Saharan Africa also promises expanded investment opportunities, even though foreign investors in most countries probably will be restricted to minority participation. Although relatively well advanced in countries like Kenya, Nigeria, and Togo, Sub-Saharan banking remains substantially underdeveloped outside urban centers. We expect, however, that the development of an adequate financial system—widely regarded by academic experts as a crucial ingredient for economic development—will play a growing role in Sub-Saharan Africa's economic future as an increasing proportion of the Sub-Saharan population is drawn into the modern economy. [ ]

Although mining conditions in Sub-Saharan Africa are currently depressed, we believe the mining sector could become more attractive to foreign investors over the longer term. [ ] mineral markets will improve over the longer term—presumably on the basis of past cyclical patterns as well as improved economic performance in industrial countries. In turn, the recovery of mineral markets will enable the region to absorb substantial amounts of foreign capital for the rehabilitation of neglected mining facilities and the launching of new mining ventures, [ ]

**Figure 3**  
**Agriculture as a Share of Gross**  
**Domestic Product in Sub-Saharan Africa**



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### **Implications for the United States**

Private US investment has the potential to make an identifiable contribution to Sub-Saharan economic growth, afford US business interests a foothold in key sectors of African economies, and increase the role of US technology in the region. Increased US investment, however, carries with it the potential of more direct competition with French and British business interests that are economically and politically entrenched in the host countries. These firms will continue to occupy key positions in agriculture, banking, mining, and manufacturing and, in our view, almost certainly will offer strong opposition to potential competitors through their political influence with Sub-Saharan states. [ ]

The US foreign investment presence in Sub-Saharan Africa presents both opportunities and risks for US investors. US investors would be particularly well positioned to exploit opportunities in new agribusiness and petroleum exploration and extraction, for example—activities in which the United States has demonstrated strength. At the same time, US investors face

substantial financial risks in a region broadly characterized by political instability, administrative inefficiency and corruption, and an uncertain economic future. [ ]

Although, on balance, Washington stands to benefit from an expanded US investment presence in Sub-Saharan Africa, its role as a leading proponent of economic reform programs may also carry some risks. To the extent that African leaders see the outcomes of these programs as beneficial—and in fact enjoy some benefits—US influence in the region is likely to be enhanced. Should the African economies continue to falter, blame may focus on both reform programs and their foreign backers, with Washington as a potential scapegoat. In that event, some African states probably would look to Washington for more aid with which to offset the damage allegedly inflicted by US-backed policies; others might either reverse economic reforms they have undertaken or distance themselves from the United States diplomatically. [ ]

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## **Appendix A**

### **Sub-Saharan Africa: Net Direct Investment Flows, 1980-86**

This appendix provides data on net flows of direct investment to individual countries in Sub-Saharan Africa since 1980. The table indicates that foreign investment flows have been concentrated in a small number of countries and that the flow of direct investment capital to the region has been relatively small.

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**Table A-1** *Million US \$*  
**Sub-Saharan Africa: Net Direct Investment Inflows <sup>a</sup>**

	1980	1981	1982	1983	1984	1985	1986
Angola							
Benin							
Botswana	109.2	88.6	21.1	25.1	62.4	52.1	90.5
Burkina	0.0	2.4	1.9	2.0	1.7		
Burundi							
Cameroon	137.1	134.5	102.5	205.2	17.0	317.3	
Cape Verde							
Central African Republic	5.3	5.8	8.8	4.0	4.9	2.4	-1.3
Chad	-0.4	-0.1	-0.1	-0.1	9.2	53.4	31.4
Comoros							
Congo	40.0	30.8	35.3	56.1	34.9	12.7	22.4
Djibouti							
Equatorial Guinea	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ethiopia							
Gabon	23.5	47.5	127.0	106.1	4.8	11.1	114.3
Gambia, The	0.0	2.3	0.0	0.0	0.0	0.0	0.0
Ghana	15.6	16.3	16.3	2.4	2.0	5.6	4.3
Guinea							
Guinea-Bissau							
Ivory Coast	94.7	32.8	47.5	37.5	3.0	29.2	
Kenya	77.9	8.3	3.4	9.2	3.9	12.7	27.8
Lesotho	4.0	5.0	4.0	4.0	5.0	3.0	4.0
Liberia	0.0	0.0	35.0	49.0	36.0	-16.0	-6.0

**Table A-1 (continued)***Million US \$*

	1980	1981	1982	1983	1984	1985	1986
Madagascar	0.0	0.0	0.0	0.0	0.0		
Malawi	0.0	1.1	0.0				
Mali	2.4	3.7	1.5	3.1	4.1	4.5	4.3
Mauritania	27.1	12.4	15.0	1.4	8.5	7.0	3.1
Mauritius	1.2	0.7	1.7	1.6	4.9	8.2	7.5
Mozambique							
Niger	54.3	-5.5	24.9	2.2	0.0	0.0	0.0
Nigeria	-734.0	543.0	430.0	345.0	200.0	353.0	199.0
Rwanda	16.4	18.0	20.7	11.1	15.1	14.6	17.6
Sao Tome and Principe							
Senegal	12.9	19.6	10.1	-33.1	27.2		
Seychelles	5.7	2.8	5.1	5.9	5.9	1.1	8.4
Sierra Leone	-18.7	7.5	4.7	1.7	5.9	-31.0	
Somalia	0.0	0.0	-0.8	-8.2	-14.9	-0.7	-0.1
Sudan	0.0	0.0	0.0	0.0	9.1	-3.0	0.0
Swaziland	16.7	34.8	5.5	-14.4	2.0	25.9	18.9
Tanzania	0.0	0.0					
Togo	42.3	10.1	16.1	1.5	-9.9	0.0	0.0
Uganda	0.0	0.0	0.0				
Zaire	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Zambia	62.0	-38.0	39.0	25.0	17.0		
Zimbabwe	1.6	3.6	-0.8	-2.1	-2.5	2.9	5.1



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## **Appendix B**

### **Sub-Saharan Africa: Leading Agricultural and Minerals Producers**

**Figure 4**  
**Sub-Saharan Africa:**  
**Leading Agricultural Producers <sup>a</sup>**

	Cashew Nuts	Cocoa	Coffee	Corn	Cotton	Palm Oil	Peanuts	Rice	Rubber	Sugar Cane
Angola				•		•				
Benin				•		•				
Botswana										
Burkina					•		•			
Burundi			•				•			
Cameroon		•	•	•	•	•	•		•	
Cape Verde										
Central African Republic							•			
Chad					•		•			
Comoros										
Congo										
Djibouti										
Equatorial Guinea		•								
Ethiopia			•	•						
Gabon										
Gambia, The							•			
Ghana		•		•			•			
Guinea						•	•	•		
Guinea-Bissau										
Ivory Coast		•	•	•	•	•	•	•	•	
Kenya	•		•	•						•
Lesotho										
Liberia		•				•		•	•	
Madagascar			•					•		
Malawi				•			•			
Mali					•		•			
Mauritania										
Mauritius										•
Mozambique	•			•			•			
Niger							•			
Nigeria	•	•		•		•	•	•	•	
Rwanda			•							
Sao Tome and Principe		•								
Senegal							•			
Seychelles										
Sierra Leone						•		•		
Somalia										
Sudan					•		•			•
Swaziland										•
Tanzania	•		•	•	•			•		
Togo		•								
Uganda			•	•			•			
Zaire			•	•	•	•	•	•	•	
Zambia				•						
Zimbabwe				•	•					•

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**Figure 5**  
**Sub-Saharan Africa:**  
**Leading Minerals Producers <sup>a</sup>**

	Bauxite	Chromi- um Ore	Cobalt Ore	Copper Ore	Diamonds	Gold Ore	Manganese Ore	Petroleum	Tin Con- centrates	Uranium
Angola					•			•		
Benin										
Botswana					•					
Burkina										
Burundi										
Cameroon										
Cape Verde										
Central African Republic					•					
Chad										
Comoros										
Congo								•		
Djibouti										
Equatorial Guinea										
Ethiopia										
Gabon							•	•		•
Gambia, The										
Ghana	•				•	•	•			
Guinea	•									
Guinea-Bissau										
Ivory Coast										
Kenya										
Lesotho										
Liberia					•					
Madagascar		•								
Malawi										
Mali										
Mauritania										
Mauritius										
Mozambique										
Niger										•
Nigeria								•	•	
Rwanda									•	
Sao Tome and Principe										
Senegal										
Seychelles										
Sierra Leone	•				•					
Somalia										
Sudan		•								
Swaziland										
Tanzania					•					
Togo										
Uganda										
Zaire			•	•	•	•			•	
Zambia			•	•						
Zimbabwe		•				•			•	

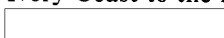
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## **Appendix C**

### **Sub-Saharan Africa: Economic and Business Profile, Selected Countries**

This appendix table presents an economic and business profile of Botswana, Ivory Coast, Kenya, Tanzania, and Zaire. We believe these countries are representative of the variety of business situations in Sub-Saharan Africa, ranging from the relatively promising Ivory Coast to the limited potential of Tanzania.



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**Table C-1**  
**Sub-Saharan Africa: Economic and Business**  
**Profile of Selected Countries**

	General Characteristics	Economic and Business Profile	Major Industrial Corporations	Comments
Botswana	<p>Area: 224,700 sq. miles</p> <p>Population: 1.1 million</p> <p>Bordered by Namibia, Zambia, Zimbabwe, South Africa.</p>	<p>Agriculture dominated by livestock production, particularly cattle.</p> <p>Extensive mineral deposits: coal, copper, diamonds, nickel, potash, soda.</p> <p>Small domestic market.</p> <p>High energy costs.</p> <p>Shortage of skilled manpower.</p> <p>Principal exports: copper-nickel matte, diamonds, hides, meat and meat products, textiles.</p>	<p>Botswana Meat Commission (meat processing).</p> <p>Botswana RST, Ltd. (holding company for copper, nickel mining).</p> <p>De Beers Botswana Mining Company (diamond mining).</p>	<p>Arid, landlocked.</p> <p>One of the fastest growing countries in Sub-Saharan Africa.</p> <p>Dependent on South African electricity supplies and transport system.</p> <p>Competes with South Africa in production and exports.</p> <p>Vulnerable to South African economic pressure.</p>
Ivory Coast	<p>Area: 124,500 sq. miles</p> <p>Population: 10.7 million</p> <p>Bordered by Burkina, Guinea, Liberia, Mali, Togo.</p>	<p>Relatively diversified economy, with extensive agricultural production.</p> <p>Large manufacturing sector with agricultural processing, light manufactures.</p> <p>Virtually self-sufficient in petroleum.</p> <p>Good infrastructure and communications.</p> <p>Principal exports: cocoa, coffee, cotton fabrics, preserved fish, petroleum products, rubber, wood.</p>	<p>Abidjan-Industrie (agricultural equipment).</p> <p>Compagnie Africaine de Preparations Alimentaires (cocoa, coffee products).</p> <p>Compagnie des Scieries Africaines (wood processing).</p> <p>Societe Ivoirriene de Raffinage (petroleum refining and distribution).</p> <p>Societe Ivoirriene des Tabacs (cigarettes, cigars).</p>	<p>Most economically important country in francophone West Africa.</p> <p>Popular regional headquarters for foreign subsidiaries serving West Africa.</p>
Kenya	<p>Area: 219,700 sq. miles</p> <p>Population: 22.4 million</p> <p>Bordered by Ethiopia, Somalia, Sudan, Tanzania, Uganda.</p>	<p>Economy based on agriculture, but has substantial manufacturing and service sectors.</p> <p>Wide variety of agricultural cash crops.</p> <p>Extensive road, rail, coastal and inland water, and air transport systems.</p> <p>Principal exports: cement, coffee, corn, hides and skins, petroleum products, pyrethrum, sisal, tea.</p>	<p>Consolidated Holdings, Ltd., holding company, (printing, paper mills, office equipment distribution).</p> <p>East African Portland Cement Co., Ltd. (cement).</p> <p>Firestone East Africa (tires).</p> <p>Kenya Breweries (beer, malted barley).</p>	<p>Most industrially developed country in East Africa.</p> <p>A major regional exporter.</p>

**Table C-1 (continued)**

	General Characteristics	Economic and Business Profile	Major Industrial Corporations	Comments
Tanzania	Area: 364,900 sq. miles  Population: 23.5 million  Bordered by Burundi, Kenya, Mozambique, Rwanda, Uganda, Zaire.	Relatively small manufacturing sector.  Banking system, major industries, distribution and marketing nationalized.  Major transportation problems because of large size, poor infrastructure, and sparsely populated interior.  Principal exports: cloves, coffee, cotton, diamonds, sisal, tea, and tobacco.	Aluminium Africa, Ltd. (metal fabrication).  Esso Standard Tanzania, Ltd. (petroleum products).  Tanzania Breweries, Ltd. (beer).  Williamson Diamonds, Ltd. (diamond mining).	One of the least urbanized countries of Sub-Saharan Africa.  One of the world's 25 least developed countries.
Zaire	Area: 905,400 sq. miles  Population: 32.3 million  Bordered by Angola, Burundi, Central African Republic, Congo, Rwanda, Sudan, Tanzania, Uganda, Zambia.	Has most extensive, but badly deteriorated, transport system (river and land based) in Sub-Saharan Africa.  One-half of country covered by largely unexploited forests.  About two-thirds of population live outside the modern economy.  Produces wide variety of manufactured goods for domestic market.  Has wide range of important mineral deposits.  Principal exports: cobalt, coffee, copper, diamonds, palm oil, crude petroleum, zinc.	BRALIMA (beer, ice, soft drinks).  GECAMINES (mining parastatal).  MARSAVCO ZAIRE (vegetable oil products).  Societe BATA Zairoise (shoe manufacture).	Among the world's 10 poorest countries on a per capita basis.

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